Government of Saskatchewan

Financial Statement 2002-2003

Saskatchewan Learning Resources Distribution Centre

Saskatchewan
Our Future is Wide Open

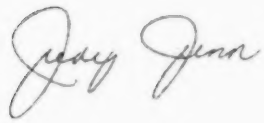
Letter of Transmittal

The Honourable Dr. Lynda M Haverstock
Lieutenant Governor
Province of Saskatchewan

Your Honour,

I have the honour to submit for your consideration the Financial Statements of the Learning Resources Distribution Centre Revolving Fund for the year ending March 31, 2003.

Respectfully submitted,



Judy Junor
Minister of Learning

103-06569/

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2003

Provincial Auditor Saskatchewan

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SASKATCHEWAN

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Saskatchewan Learning Resources Distribution Centre Revolving Fund as at March 31, 2003 and the statements of operations and accumulated operating surplus/deficit, and changes in accumulated net expenditure for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Wendel, CMA, CA
Provincial Auditor

Regina, Saskatchewan
June 25, 2003

Statement 1

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND
BALANCE SHEET
As at March 31

ASSETS

	2003	2002
Current assets:		
Petty cash	$ -	$ 2,100
Accounts receivable	-	319,914
Prepaid expenses	-	1,312
Inventories	-	1,652,211
	-	1,975,537
Capital assets (Note 5)	-	33,848
	$ -	$ 2,009,385

LIABILITIES AND EQUITY

Current liabilities:		
Accounts payable and accrued liabilities	$ -	$ 65,714
Customers' deposits and credits	-	5,998
	-	71,712
Accumulated net expenditure (Statement 3)	-	2,124,277
Fund equity:		
Accumulated operating surplus/(deficit) (Statement 2)	-	(186,604)
	$ -	$ 2,009,385

(See accompanying notes to the financial statements)

Statement 2

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS/DEFICIT
For the Year Ended March 31

	2003		2002
	Budget (Note 10)	Actual	Actual
Revenue:			
Sales	$ 2,227,500	$ 2,425,967	$ 2,721,948
Less: Cost of goods sold	1,927,095	3,159,545	2,410,929
Gross profit / (loss)	300,405	(733,578)	311,019
Gain on disposition of capital assets	427	10,121	-
Other Income	-	303	1,051
WCP project revenue (Note 12)	-	-	57,466
	300,832	(723,154)	369,536
Operating expenses:			
Salaries	274,073	308,879	343,117
Amortization	18,248	18,248	111,577
Postage	56,707	52,550	65,349
Office and warehouse expense	25,000	21,969	28,845
Computer support and maintenance	30,000	909	30,485
Freight and express out	500	1,987	1,297
Other	9,082	9,734	9,686
WCP project expenses (Note 12)	-	-	56,587
	413,610	414,276	646,943
Net Income (loss) from Operations	(112,778)	(1,137,430)	(277,407)
Subsidy from General Revenue Fund (Note 4)	-	1,324,034	644,000
Net Income (loss) (Note 13)	$ (112,778)	186,604	366,593
Accumulated operating surplus/(deficit) beginning of year		(186,604)	(553,197)
Accumulated operating surplus/(deficit) end of year - to Statement 1		$ -	$ (186,604)

(See accompanying notes to the financial statements)

Statement 3

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	2003	2002
Financing (provided by) required for operating activities:		
Net (income)	$ (186,604)	$ (366,593)
Items not affecting working capital:		
- amortization	(18,248)	(111,577)
- gain on disposal of capital assets	10,121	-
Net (decrease) in working capital items related to operations (Note 7)	(1,710,596)	(116,420)
	(1,905,327)	(594,590)
Financing (provided by) required for investing activities		
Purchase of capital assets	-	3,093
Proceeds from sale of capital assets	(14,389)	-
Net (decrease) in financing requirements	(1,919,716)	(591,497)
Assets transferred at no cost (Note 9)	(204,561)	1,046
Accumulated net expenditure, beginning of year	2,124,277	2,714,728
Accumulated net expenditure, end of year - to Statement 1	$ -	$ 2,124,277

(See accompanying notes to the financial statements)

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION
CENTRE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2003

1. Authority and Definition of Entity

The authority for this Revolving Fund is contained in section 10(4) of *The Education Act, 1995*. *The Education Act, 1995* was amended to change the name of the Saskatchewan Book Bureau Revolving Fund to the Saskatchewan Learning Resources Distribution Centre Revolving Fund. The purpose of the Saskatchewan Learning Resources Distribution Centre Revolving Fund is to finance and to provide a system of accounting for the purchase, sale and distribution of such school textbooks, workbooks, reference textbooks, related print and non-print materials as recommended by the Department of Learning for use in Saskatchewan schools, and to serve as distributor and sales agent for publications and materials of the Department of Learning.

2. Significant Accounting Policies

The financial statements are prepared using Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the statement of changes in accumulated net expenditure and Note 7. The following accounting policies are considered significant:

a) Net Financing Requirements

The net financing requirements is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure

The accumulated net expenditure of the Revolving Fund includes the following:

i) Amounts due to the Minister of Finance as at March 31, 1982, and assumed by the Revolving Fund in respect of working capital advances.

ii) The net increase (decrease) in financing requirements for each fiscal year; and

iii) The book value of assets acquired/transferred at no cost from/to another government agency.

c) Amortization

Amortization is provided on office and warehouse equipment on a straight-line basis at an annual rate of 10% of acquisition value. Computer software costs are amortized at an annual rate of 25% from the date the software becomes operational. Computer equipment is amortized on a straight-line basis at an annual rate of 25% of acquisition value.

d) Inventory Valuation

Inventory is valued at the lower of average cost and net realizable value.

e) Pricing Policy

The Revolving Fund's sales catalogue of books and educational materials and the retail list prices of the items therein are revised periodically by the management with a view to operating the Revolving Fund as close to the break even point as possible. From 1997 to November 1, 2002, the retail list price of publications was based on invoice cost plus up to 16.5%. After November 1, 2002 the Fund was authorized to sell inventory below cost in order to minimize losses on wind-down of the Fund.

f) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. The more subjective of such estimates and assumptions relate to inventory valuation. Management believes its estimates and assumptions are appropriate, however, actual results could differ materially from those estimated.

3. Authorized Financing

Section 10(10) of *The Education Act, 1995* provides for a maximum amount of accumulated net expenditures which may at any time be outstanding to be set by order of the Lieutenant Governor in Council. By Order in Council 11/85, the maximum amount has been set at $4,000,000.

4. Disposition of Accumulated Operating Surplus or Deficit

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/deficit. If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/deficit for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The limit of the Learning Resources Distribution Centre Revolving Fund is $150,000.

5. Capital Assets

	2003			2002
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Office Equipment	$ -	$ -	$ -	$ 7
Warehouse Equipment	-	-	-	10,747
Computer Software	-	-	-	2,489
Computer Equipment	-	-	-	20,605
	$ -	$ -	$ -	$ 33,848

Amortization provided in the financial statements for the current year amounted to $18,248 (2002 - $111,577).

6. Costs Borne by Other Agencies

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing and certain administrative costs. These costs have been absorbed by various departmental appropriations and, therefore, no provision for such costs is reflected in these financial statements.

7. Net Change in Working Capital Items Related to Operations

	2003	2002
(Decrease)/increase in accounts receivable	$ (319,914)	$ 76,623
(Decrease) in prepaid expenses	(1,312)	(1,965)
(Decrease) in petty cash	(2,100)	-
(Decrease) in inventories	(1,458,982)	(232,414)
Decrease/(increase) in accounts payable	65,714	(12,825)
Decrease in customers' deposits and credits	5,998	54,161
	$ (1,710,596)	$ (116,420)

8. Related Parties

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards, and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

9. Transfer of Assets

The Department of Learning transferred inventory items valued at $7,801 (2002 - $1,046) to the Revolving Fund at no cost.

The Revolving Fund transferred Department of Learning publications plus three custom-developed commercially-published learning resources to the Department at no cost. This inventory was valued at $201,030. The Revolving Fund also transferred capital assets valued at $11,332 to the Department at no cost.

10. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

11. Financial Instruments

The Revolving Fund's financial instruments include accounts receivable, accounts payable and accrued liabilities, customers' deposits and credits and accumulated net expenditure. Due to their immediate or short-term nature, the fair value of these instruments approximates the carrying value.

12. WCP Project

Western Canadian Protocol for Collaboration in Basic Education – Manitoba Education and Training has contracted Saskatchewan Learning to provide a staffed facility and related services for the evaluation of learning resources that support the curriculum framework developed by this collaboration. The project was completed August 31, 2001.

13. Amount Reported in Public Accounts

The net recovery of the Revolving Fund reported in the Public Accounts is the net income of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	2003	2002
Net income	$ 186,604	$ 366,593
Decrease in inventory balance	1,458,982	231,368
Decrease in net capital assets	22,516	108,484
Amounts not included in Public Accounts, due to timing	(143)	(2,449)
Net recovery, reported in the Public Accounts	$ 1,667,959	$ 703,996

14. Wind Down of Revolving Fund

The Department of Learning made a decision to discontinue the purchase and distribution of commercially-published learning resources. Treasury Board subsequently directed that the Revolving Fund be wound down by March 31, 2003.

15. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year presentation.